



IRA Assets - Tax Wise Bequest Gifting Option

Proper Planning to Maximize Bequests to Heirs and the Community Foundation

Many individuals are surprised to learn that heirs (other than a spouse) could pay as much as 77 cents on every dollar in accumulated income tax and estate taxes for bequests from a traditional IRA— more tax than most other assets you might bequeath.

When you bequeath traditional IRA assets to the Washington County Community Foundation, the Foundation will receive 100% of the amount you bequeath. That's more money that will be used to support our local community, to support the causes and charities that are important to you. For this reason, many professional advisors urge their clients to turn to their IRAs first for charitable bequests. Assets that will be taxed less at death can then be targeted for heirs.

IRAs Provide Flexibility

You can change the account beneficiaries and how much each beneficiary receives as often as you like during your lifetime. You need only update the beneficiary designation form. This gives you the freedom to alter your designations if your fortune, or the tax laws, change.

Separating Charitable Assets from Assets Intended for Heirs

If you anticipate having excess money in your IRA after your charitable gifting is complete, one large IRA could be divided into two (or more) accounts to separate your charitable gift from your family's inheritance. This strategy enables your heirs to stretch distributions out according to a formula based on their life expectancies. Having multiple accounts doesn't affect the annual distributions you and your spouse have to take while you're alive. For instance, if you wish to bequeath \$100,000 to the WCCF, you could roll this amount into an IRA that designated the WCCF as the sole beneficiary. You then could take your annual distribution from the gains that accumulate on this account, so it stays at \$100,000. Or if those assets decline in value one year, you could take more of your distribution from another IRA that performed better.

Communicate Your Intentions

At the Washington County Community Foundation, we like to get to know our donors. We have found that this is the best way to understand our donor's charitable goals, particularly if the bequest is to be used for specific charitable purposes. When designating the WCCF as a beneficiary on IRA accounts we ask that you, or your financial planner, communicate with us so that we are clear on your charitable wishes.

*This information should not be deemed legal advice.
Readers are encouraged to seek consultation with appropriate professional advisors.*

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